

**Employees' Retirement Board  
Of Rhode Island  
Procurement Subcommittee Meeting Minutes  
Date of Meeting: December 5, 2006**

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**I. Chairperson Call to Order**

The Meeting of the Procurement Subcommittee was called to order at 10:00 a.m., Tuesday, December 5, 2006 in the 8<sup>th</sup> Floor Conference Room, 40 Fountain Street, Providence, RI. The committee voted to elect Rosemary Booth Gallogly the chair.

**II. Roll Call of Members**

The following members were present at roll call: Rosemary Booth Gallogly; William B. Finelli; Louis M. Prata; Kerry Walsh Esq., designee for the General Treasurer and James P. Yancy.

Also in attendance: Frank J. Karpinski, ERSRI Executive Director and Attorney William E. O'Gara, Board Counsel.

Recognizing a quorum, Chairperson Booth Gallogly called the meeting to order.

**III. Discussion of computer system maintenance contract for 2007.**

Chairperson Booth Gallogly directed the committees attention to a memorandum provided by Director Karpinski. She told the committee the memo outlined the computer system maintenance services currently provided by the Saber Corporation for the ANCHOR computer system and the proposed fees for a renewal contract that would begin in December.

Chairperson Booth Gallogly asked the Director to provide the committee with an overview of the services provided. At the conclusion of the Director remarks, both Ms. Booth Gallogly and Mr. Finelli asked the Director about system security and if any such language should be in the contract.

Director Karpinski asked the committee if they could discuss item five on the agenda since it is germane to the question asked by Ms. Booth Gallogly and Mr. Finelli (*the discussion of RFP development for performance of a risk analysis / vulnerability assessment of ERSRI's computer systems and development of information systems security policies and*

*procedures*) in conjunction with the maintenance services discussion. He said the risk analysis / vulnerability assessment is necessary to provide the System and the Board assurance that the ANCHOR system is current with security measures and identify any potential threats.

The committee unanimously agreed that such security services were important and instructed the Director to secure the services of a qualified vendor to perform the risk analysis / vulnerability assessment. Ms. Booth Gallogly informed the committee that most statewide audits, as well as ERSRI's, included recommendations to perform such assessments and the State's Department of Information Technology (DOIT) has hired a security officer to oversee computer security. The Director said he would expedite the issuance of an RFP and Ms. Booth Gallogly said she would have her staff check the state master price agreement to see if any vendors are available to perform such services.

On a motion by William B. Finelli and seconded by James P. Yancy, it was unanimously

**VOTED: To authorize the Director to secure the services of vendor to perform a risk analysis / vulnerability assessment of ERSRI's computer systems and development of information systems security policies and procedures by either RFP or existing vendors from the States master price agreement.**

The committee then continued their discussion regarding the computer system maintenance contract. Given the motion on the risk analysis / vulnerability assessment, Ms. Booth Gallogly felt it would be prudent to verify language in the contract regarding termination of the Saber Corporation if warranted. Director Karpinski told the committee that since this was a provision provided for in the original computer contract (dated February 9, 2000) allowing ERSRI to extend system maintenance services, the termination provisions in the System License Agreement (SLA) would apply to this addendum. He said he would verify the terms and incorporate them by reference into the current addendum. Attorney O'Gara said he would review the SLA and purchasing regulations for procurement consistency. The committee agreed that the Director should insert a 30-day notice of termination if no period was identified in the SLA.

The Director then discussed the cost of the updated addendum. He provided the committee the following chart:

	Proposal A ( <i>approved last year</i> )	Renewal ( <i>as of 12/2006</i> )
	5 Developers	4 Developers
Total Price	\$ 891,000	\$ 783,360
Effort in Hours	9,000	7,536
Per Hours Price	99.00	103.95
Per Month CCR Hours	275	157

Director Karpinski told the committee that as the ANCHOR system reaches maturity, fewer services and CCR hours are required to maintain the system; thus the reason for the reduced costs. He recommended that at this point in the ANCHOR systems life cycle it would be more cost effective to invoice large changes, for example, ones required by legislation, on a case-by-case basis.

On a motion by Rosemary Booth Gallogly and seconded by Louis M. Prata, it was unanimously

**VOTED: To authorize the Director to renew the computer system maintenance contract for one additional year as provided by the original contract for the sum of \$ 783,360 and incorporate language providing ERSRI a 30-day termination clause, if necessary.**

#### **IV. Discussion of actuarial contract.**

Chairperson Booth Gallogly referred the committee to the memorandum from Director Karpinski and asked him to provide an overview. The Director said ERSRI entered into another four (4) year contract with GRS effective July 1, 2003 at a cost of \$600,000. The contract will expire on June 30, 2007 with the completion of the valuation and experience study for the period ending June 30, 2006. GRS has been the System's actuary since 1997.

Director Karpinski told the committee that as articulated to the full Board with GRS's rehire in 2003, provided the actuary performs satisfactorily and competitively, System's generally maintain actuarial firms for long periods, 50 years in some cases. It is common practice in the industry to leverage an actuary's skill and knowledge over many valuation cycles and perform actuarial audits, by other firms, of the system actuary every 5 to 8 years to validate the assumptions and practices. The Board felt this was an appropriate strategy for ERSRI and in 2005; the Segal Company satisfactorily performed an actuarial audit of GRS for the period ending June 30, 2003.

The Director told the committee that the current contract has a provision permitting contract extensions in one-year increments and said provided there are no other issues; he would recommend ERSRI negotiate a one-year extension with GRS.

The committee unanimously felt that there were no issues, to their knowledge, with the work performed by GRS and agreed with the Director regarding consistency and institutional knowledge by the actuary. Ms. Booth Gallogly asked Director Karpinski about a provision in the contract allowing 12 available studies to be performed at the Boards request. She asked if any studies are available to be performed and if so, they be carried over into any extension being negotiated. Director Karpinski said he

would verify the studies with GRS and be sure to include any remaining studies in an extension if the committee agreed to grant an extension.

The committee unanimously agreed to negotiate an extension of GRS's contract rather than go out for RFP for a new actuary. The committee felt that since the time constraints of the RFP process may no longer be applicable, it would be prudent to allow Treasurer-elect Caprio to have an opportunity to become familiar with the actuary and their contract.

The committee then instructed Director Karpinski to negotiate a price for a one-year extension of GRS's contract. Upon review by the new administration, the committee will reconvene and determine if GRS's fee is satisfactory and make its recommendation to the full board at that time.

**V. Discussion of RFP development for performance of a risk analysis / vulnerability assessment of ERSRI's computer systems and development of information systems security policies and procedures.**

This item was discussed in with item three, *Discussion of computer system maintenance contract for 2007*.

**VI. New Business**

None

**VII. Adjournment**

There being no other business to come before the committee, on a motion Rosemary Booth Gallogly and seconded by Kerry Walsh, the meeting adjourned at 12:00 pm

Respectfully submitted,

**Frank J. Karpinski**

Executive Director